

Message Text

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ACTION EB-11

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DODE-00 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-07 PA-04 RSC-01 AID-20 CIEP-02 SS-20 STR-08

TAR-02 TRSE-00 USIA-15 PRS-01 SP-03 FEAE-00 OMB-01

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SUBJECT: GROC RESTRICTS IMPORTS OF AUTOMOBILES AND COLOR TVS

REF: A) STATE 128968, B) TAIPEI 3273

1. SUMMARY. BOARD OF FOREIGN TRADE (BOFT) HAS ANNOUNCED THAT EFFECTIVE JULY 1, 1974, IT WILL NOT ISSUE IMPORT LICENSES FOR AUTOMOBILES AND THAT IMPORT LICENSES FOR COLOR TVS FROM US AND EUROPE WILL BE BASED ON QUOTA SYSTEM. COLOR TVS FROM JAPAN WILL BE BARRED. MEASURES TAKEN BECAUSE OF TRDE DEFICIT FIRST HALF OF 1974 AND WILL BE RESCINDED WHEN TRADE IS IN SURPLUS AGAIN. END SUMMARY.

2. BOFT HAS CONFIRMED RUMORS WHICH HAVE BEEN CIRCULATING FOR SEVERAL WEEKS WHEN IT ANNOUNCED JUNE 29 THAT EFFECTIVE JULY 1 IT WILL NOT ISSUE IMPORT LICENSES FOR AUTOMOBILES AND IT WILL ESTABLISH QUOTAS ON IMPORTS OF COLOR TVS FROM US, CANADA AND EUROPE. COLOR TVS FROM JAPAN WILL BE PROHIBITED.

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3. BOFT JUSTIFIED ABOVE MEASURES BY CITING LARGE TRADE

DEFICIT DURING FIRST HALF OF 1974. WHILE GROC FIRMLY BELIEVES IN TRADE LIBERALIZATION AND IS MOVING IN THAT DIRECTION, TRADE DEFICIT MAKES IT NECESSARY TO CONTROL IMPORTS OF CERTAIN NON-ESSENTIALS UNTIL TRADE IS AGAIN IN SURPLUS. BOFT IS HOPEFUL THAT SURPLUS WILL AGAIN BE ATTAINED BY END OF 1974, AT WHICH TIME RESTRICTIONS WILL BE LIFTED.

4. EFFECT OF MEASURES ON US AUTO INDUSTRY WILL BE MINIMAL SINCE ONLY 280 AUTOMOBILES IMPORTED FROM US DURING PERIOD JANUARY-APRIL 1974 COMPARED WITH 320 FROM ENGLAND, 360 FROM GERMAN FEDERAL REPUBLIC AND 6,012 FROM JAPAN. VALUE OF IMPORTS OF COLOR TVS FROM US DURING SAME PERIOD WAS US\$2.2 MILLION, IMPORTS FROM JAPAN WERE VALUED AT US\$2 MILLION AND IMPORTS FROM CANADA AND EUROPE WERE VALUED AT US\$500,000. MONTHLY QUOTA WILL BE ESTABLISHED FOR EACH IMPORTER BASED ON NUMBER OF TVS IF IMPORTED DURING 12-MONTH

PERIOD MARCH 1973-MARCH 1974. FOR EXAMPLE, RCA DISTRIBUTOR (LAIFU TRADING RA., LTD.)(28.09453\$ 4,900 COLOR TVS DURING THAT PERIOD. HIS MONTHLY QUOTA, THEREFORE, WILL BE 408 COLOR TVS (4,000 DIVIDED BY 12).

5. ACTING COMATT HAS MET WITH ELEVEN IMPORTERS OF US COLOR TVS AND OTHER APPLIANCES TO DISCUSS IMPACT OF RESTRICTIONS. THEY ALL AGREE QUOTA SYSTEM IS MEANINGLESS SINCE IT WAS ONLY LONG AFTER GROC LIFTED BAN ON IMPORTS IN MARCH 1973 THAT FIRST US COLOR TVS BEGAN TO ENTER ROC MARKET. RCA DISTRIBUTOR IMPORTED SEVERAL HUNDRED TVS LATE IN 1973 BUT OTHERS DID NOT BRING IN FIRST SETS UNTIL EARLY 1974. THUS ONLY RCA HAS ESTABLISHED SIGNIFICANT IMPORT RECORD. ADMIRAL DISTRIBUTOR, FOR EXAMPLE, WILL RECEIVE MONTHLY QUOTA OF ONLY 70 COLOR TVS AND MOTOROLA DISTRIBUTOR 10 COLOR TVS.

6. AT IMPORTERS REQUEST, EMBASSY WILL ARRANGE FOR THEM TO MEET WITH DIRECTOR OR DEPUTY DIRECTOR OF BOFT AS SOON AS POSSIBLE. IMPORTERS HOPE TO BE ABLE TO

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CONVINCE BOFT THAT RESTRICTIONS WILL RESULT IN SEVERE FINANCIAL LOSSES TO THEIR COMPANIES. ALL OF THEM HAVE INVESTED HEAVILY IN SHOWROOMS AND PARTS AND SERVICE FACILITIES ON THE ASSUMPTION THAT REMOVAL OF IMPORT BAN IN SEPTEMBER 1973 WOULD BE PERMANENT.

7. EMBASSY ALSO PROPOSES TO NOTIFY MINISTER OF

ECONOMIC AFFAIRS OF OUR CONCERN OVER GROG ACTIONS
WHICH RUN COUNTER TO ITS ANNOUNCED POLICY OF MOVING
MORE AND MORE IN THE DIRECTION OF FREE TRADE AND
POINT OUT THAT US-ROC TRADE BALANCE IS STILL HEAVILY
IN ROC'S FAVOR, PARTICULARLY IN ELECTRONICS.
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